

**Advisory Committee on Student Financial Assistance  
College of the Canyons, Santa Clarita, CA  
Monday March 5<sup>th</sup>, 2007  
Robert C. Strong**

Good morning. I would like to thank the Committee members for the opportunity to address these issues surrounding textbook pricing. I attended hearings called by assemblyperson Carole Liu last year in Sacramento investigating the circumstances surrounding textbook pricing. I was dismayed to find not a single faculty member had been called to testify, so I am heartened by the invitation to today's hearing.

My name is Rob Strong I have served as General Manager of the San Francisco State University Bookstore since 1987. I have taught as a lecturer in the College of Business's Department of Marketing since 1992. I teach part-time and have taught courses in Principles of Marketing, Marketing Management and Retail Management. I recently completed a second three year term on our Academic Senate and continue to be active in a number of University Committees involving faculty relations, strategic planning and campus life. I am a former President of the California Association of College Stores, Chair of the Board of Collegiate Stores Cooperative – a national buying group serving the higher education retailing industry.

From experience working both with students as my employees in the Bookstore and with my students in class, I frequently hear concerns about the price of textbooks, the tendency of faculty to require books which are not used, the practices of publishers publishing new editions more frequently than perceived as necessary, and a lack of availability of used books.

Our University student body is non-traditional, i.e. we have a relatively low residential population, most students are enrolled less than full-time and most work. Coupled with living in one of the most expensive areas of the country, financial challenges are dominant concerns in our students' lives. I have known of many cases in my career at San Francisco State where students had to choose between buying textbooks and buying food or paying rent. In too many of these cases, students make the obvious choices to forego purchasing the textbook and simply get by from attending lectures, in many cases negatively affecting their academic performance.

One fact I don't often hear argued by my colleagues in the Bookstore industry is the recognition that publishers are the creators and the owners of their intellectual property. Without the publishers we would have no intellectual property or creative content to utilize or criticize.

Publishers are not the bad guys. They are providing a solution for a need at a price that is competitive with the marketplace. Their primary customers are the faculty, not the students. The faculty, not the students, decide what to use in the classroom, thereby driving the market and creating demand for more complex, more web-based, more current, more thoroughly supported products and therefore more expensive products.

Big publishing houses are for-profit publicly owned companies. Many of us may even in fact be owners of big publishers as holdings in our mutual funds as part of our retirement plans. The publishers' long term strategic goals involve profitability, return to the stakeholder owners, and long term financial sustainability.

The fundamental economics of textbook production is an unavoidably expensive proposition to begin with. Elements such as short print runs, usage of glossy high quality paper, large teams of editors, free advance copies for faculty and sunk costs for textbook projects which were developed and brought to market but aborted because they never sold to faculty all contribute to the large expense structure of the base textbook product. And when you mix in lost market share due to the resale of used books (from which publishers don't see a dime), illegal reproduction of copyrighted materials for course readers and new ways students are finding to avoid buying the textbooks because the price is growing out of reach, the retail price of the already inherently expensive textbook becomes even higher in order for the publisher to recover its costs and earn a profit.

About six years ago, a faculty colleague and I engaged a graduate class in marketing research to measure the percentage of the total textbook industry cannibalized from publishers by used books, illegal readers, students purchasing textbooks temporarily to photocopy them and then returning the books for refunds, emerging digital media replacing traditional textbooks, and newly emerging markets of customer-to-customer or "c to c" trading. That percentage as measured by the students conducting the study fell in the range of 35% to 40%. As part of the study, we conducted focus groups and administered surveys to assess the degree of price sensitivity of demand among students for the large volume titles used in lower division classes. In other words, for the specific textbooks these students were using in their classes, we measured what price the student would have had to pay for the student to feel they received a fair value. Not surprisingly, the average reduction in price was about the same percentage as the percentage

of textbook sales publishers lose to alternate channels and behavior which leads to avoidance purchasing textbooks. In other words, if the publishers sold the new books they published and students consumed them and retained them, the publishers would attain their goals of recovering costs and realizing profits with a 40% lower retail price than new books cost today.

I have heard comparisons of the textbook industry to a monopoly. I believe this is a false comparison. The textbook industry is as intensely competitive as almost any other industry you could name. As a faculty member, I am contacted by every major publisher at least annually in an attempt to retain my business or convert me to using their textbook if I am not already doing so. These enticements usually include free advance copies of the textbook which is a necessary part of the marketing process and which adds a significant amount of cost to the development cost of the textbook.

The problem is not the existence of a monopoly, the challenge is the fact that faculty generally consider price a relatively minor factor when selecting a textbook. Publishers do not select course materials for faculty to use. Students have no choice in what course materials to buy. Faculty are the sole decision maker when it comes to selecting a textbook for a given course. When faculty start prioritizing textbook prices as a key factor in their decisions and making selections on that criterion, publishers will respond to demand and become more aggressive finding ways to deliver less costly course materials.

Several years ago, we conducted another research project on our campus investigating the importance of attributes contributing to textbook value. We measured the perception of importance by students of features such as reputation of author, quality of materials, currency of the edition, how extensively the textbook is used by the professor, availability of ancillary materials like lecture slides and test banks, durability of cover, quality of writing and retail price. Not surprisingly, students rated retail price as near the top of the list in importance, faculty rated price closer to the bottom. I recall vividly reviewing the videotape of one of the focus groups we conducted for this project. One student held up two books, *Moby Dick* by Herman Melville, and an economics textbook. He complained that – even though the two books were of comparable size and weight – one cost less than \$20 and the other more than \$100.

This reminded me of a segment delivered by Glenn Beck, commentator on CNN's Headline Prime, on September 5<sup>th</sup>, 2006 in which he described his experience dropping his daughter off at college for the first time and buying her required textbooks. He said:

“... her math book cost – are you ready? - \$109. \$109?! I looked at the person behind the counter and I said ‘are you nuts?’ In U.S. currency? For a book about math? And it’s USED? When I asked about it at the bookstore I was told ‘well sir, this is the new edition of the book, that’s why it’s so expensive.’ What? The whole point of math is that it never changes, it is the only universal language, we put it on a space ship – on a little record – and send it out to the middle of the galaxy. It’s math – nothing ever changes.”

As a bookstore person, I hear this sort of comment regularly.

Last spring our Bookstore hosted an annual Publisher Fair, an event which publishers attend to woo faculty and recruit authors from among the faculty. I visited every major publisher and told them my needs were simple. I wanted a textbook printed with inexpensive materials, I wanted to excise the cases, exercises, color illustrations, sample test questions, and any other “bells and whistles” which did not constitute the core information of a survey course on retailing. The idea is that I spend 3 to 4 hours the week prior to each lecture compiling cases from the real world to supplement the core textbook, pulled in legally from sources in the public domain such as news publications and industry trade newsletters. Any textbook hitting the market today which includes case studies on Sears, Home Depot, Circuit City, the GAP or Apple are already woefully out of date. In my quest for a stripped down, highly utilizable textbook focusing on core course content I was unsuccessful. Not one major textbook publishing house offered me a solution. Now I understand this is only one example of a fairly specialized discipline and I have seen such stripped down options occasionally for large lower edition courses but they are the exceptions.

As a faculty member, I have incorporated several approaches to an overall solution which at least mitigates the sting of textbook prices for my students.

- ***Emphasize the importance of the textbook.*** I tell the students the first day of class when they ask how to study for the exam, that I am not the perfect source, the textbook is not the perfect source, but together the textbook and I constitute the perfect combination of sources. I make sure every exam question can be answered somewhere in the textbook, I also make sure every exam topic is at least referenced in my lectures. Attending the lectures is helpful for understanding what topics may appear on the exam; studying the textbook is important to gain a deeper insight and context of the material and is necessary for a complete grasp and understanding of the course.
- ***I allow students to purchase older editions of the textbook.*** Of course there is no way for me to “require” purchase of the current textbook edition anyway, with the plethora of sources now available. But what I do tell the student is that even though I am director of the Bookstore and have a vested interest in their patronage of the Bookstore, to encourage such would be a conflict of interest and besides, I have a greater responsibility to ensuring the best value is delivered to their classroom experience. For some, that value proposition may be to help reduce the overall price they pay for textbooks, rather than finding the latest, greatest and most expensive edition. I encourage them to use the most current edition, while offering the option to use an older used edition via any source available.
- ***Use the textbook beyond its natural life.*** The textbook I am using this semester is in the 10<sup>th</sup> edition. The textbook I “adopted” for this course and the one the Bookstore has ordered and stocks on the shelf is the 9<sup>th</sup> edition. Beyond that, a few students are even using the 8<sup>th</sup> edition. The first day of class I address this issue of using old editions. I tell my students I prefer they use the latest edition, however if they choose to use the previous edition I ask they come see me if they failed to achieve the grade they expected. I have never had a student come to my office complaining they fared poorly because they were using an obsolete edition.
- ***Have the Bookstore use a declining price model over the life of the textbook.*** Since I am using my textbooks for at least a year beyond its normal life of 2 years, I ask the Bookstore to buy back and resell the book at a rate 20% below the previous semester’s levels. This pricing strategy does two things: First, it spreads the total cost of the book

over the longer life cycle of the book, allowing the buyback offer and retail price to more accurately reflect the level of accumulated use of the book. And secondly, since after six semesters of use, when a textbook “goes stale” and will not be re-adopted, the student is left with a textbook for which she only paid \$45 retail, rather than \$75 – the used price she would have paid under the traditional pricing mechanism.

Finally, there are two initiatives I have not yet undertaken but am seriously considering implementing over the next year include:

- Actually have the Bookstore adopt copies of the older edition. In spring 2008, I plan to instruct the Bookstore to carry copies of both the current edition and the most recent previous edition. I will be tracking grades earned by each group of students and determining if any correlation exists for my course between students who obtained the current vs. prior editions. At the same time, as part of the course curriculum, I will select a number of case studies in the textbook for the purpose of comparing these by then outdated cases with current conditions of those companies. With this approach those students who obtained the latest edition should have an advantage and this should therefore offer an incentive to obtain the current edition.
- Develop my own curriculum from publicly accessible content. I am in my third year of using a course management system (CMS). This system provides a course web site where students log on to do a number of things. They can
  - interact with me or with each other using message forums;
  - receive instructions and updates from me;
  - download documents such as syllabi and assignments;
  - link to outside web sites for resources pertaining to guest speakers;
  - upload assignments;
  - have chat time; and
  - have their exams administered on-line.

Free, legal sources of educational content are available either in the public domain or accessible to colleges and universities via site licenses. One example is MERLOT, the Multimedia Educational Resource for Learning and Online Teaching, which was established by the

California State University Center for Distributed Learning in 1997. The next year in 1998, the project expanded with participation by the University of Georgia, Oklahoma State Regents for Higher Education, and the University of North Carolina. Today the collection has over 16,200 materials ranging from arts to science & technology – offering articles, simulations, assignments, and case studies which are designed to integrate into college curriculum.

MERLOT is only one example of a not-for-profit education based repository of materials designed to be made available at no cost for higher education. Most of our libraries on campuses subscribe to a universe of databases, journals and other publications which faculty can pull from legally and ethically to develop course content on their own for their students.

Of course, many faculty are not interested in the extra effort required to develop their own comprehensive set of ancillary support resources since publishers so often can deliver a “ready to go” finished product, complete with lecture slides, case notes, lecture notes, test banks and other ancillaries to make the job of teaching easy for faculty. And believe me, to many faculty shifting the burden of developing course materials to the publisher even though the student must in turn pay a higher dollar for the expensive textbook because of the number of ancillary resources – is indeed an attractive option. If faculty could be made more aware – if the institution emphasized from the top down – what effect the high price of textbooks have on our students more would be inclined to seek lower cost alternatives driving publishers to fill those needs.

One final area where I believe legislators and publishers could make substantial progress in reducing the cost of course materials is to ensure all course materials used in the classroom are obtained legally, with copyright permission obtained and royalties paid properly to the entitled owner(s). I am referring to a common problem on most campuses involving off-campus copy shops producing customized course readers from copyrighted intellectual property out of books and periodicals. In many cases, these “mom and pop” copy shops operate under the radar of the copyright monitoring systems, producing these materials illegally without permission of the copyright holders and without properly paying these copyright holders their fair share of royalties. Since the purpose of customized course readers is almost always to substitute for a textbook in the classroom, this practice has the consequence of cutting the publisher out of legally deserved revenue streams. With this erosion of deserved revenue, publishers must

increase their retail prices to recover their costs and maintain their shareholders' expectations of return.

In closing I would like to say I am rooting for the students, much more so than the bookstores or the publishers. However, this is a complex problem. Bookstores are clearly not in a position to affect the price of textbooks due to their low margins of profitability and lack of control over the wholesale cost of textbooks. And if the publishers are to continue being the dominant provider of course materials, they need access to profits to be able to reinvest in development of alternative course materials and new strategies. Faculty decide which course materials are appropriate for use in their class, let's focus on creating awareness among faculty and provide incentives and actions which acknowledge the importance of price as an attribute when considering which course materials to select for their students.

Such changes can include sales tax exemptions, income tax credits, financial aid packages, reinforcement of the importance of price consideration of textbooks by University and College leadership, and incorporation of student ratings of course material value in faculty evaluations.

Finally, publishers are not the only source of pedagogy and curricular content. Let's challenge institutions and faculty to help develop resources to supplant traditional course materials from our already existing body of knowledge and research tools available today.

Thank you.